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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCUMENT CONTROL

Andrew M. Miller
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253
(480) 348-3691
State Bar Number 011009


COMMISSIONERS

Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

IN THE MATTER OF THE APPLICATION OF)
ARIZONA-AMERICAN WATER COMPANY,) DOCKET NO. WS-013A-05-
INC., AN ARIZONA CORPORATION, FOR A) W-01303A-05-0405
DETERMINATION OF THE CURRENT FAIR) W-01303A-05-0910
VALUE OF ITS UTILITY PLANT AND) MOTION FOR LEAVE TO FILE
PROPERTY AND FOR THE INCREASES IN) AMICUS CURIAE BRIEF BY
ITS RATES AND CHARGES BASED) THE TOWN OF PARADISE VALLEY
THEREON FOR UTILITY SERVICE BY ITS)
PARADISE VALLEY WATER DISTRICT.)

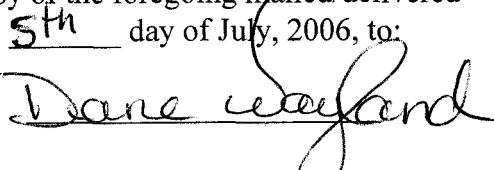
Comes now the Town of Paradise Valley, by and through undersigned counsel, and respectfully requests that this Commission allow the filing of an amicus curiae brief in the above-captioned rate case.

RESPECTFULLY SUBMITTED this 3rd day of July, 2006.


Andrew M. Miller
Town Attorney
Town of Paradise Valley

Original filed with the Commission.

Copy of the foregoing mailed/delivered
this 5th day of July, 2006, to:

By: 

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PARADISE VALLEY WATER DISTRICT.)

STATEMENT OF FACTS

On June 3, 2005, the Arizona-American Water Company ("Arizona-
American") filed an application with this Commission for a rate increase for its Paradise
Valley Water District. The sum of their request was that the increase was needed for changes
in revenue since the proceeding rate case seven years prior, revenue recovery necessary due

1 to federal arsenic regulations, and revenue recovery necessary to improve water lines so as to
2 improve flow capacity, including improved fire flows within the District.

3 During the pendency of this application, the Residential Utility Consumer
4 Office (“RUCO”) has repeatedly urged the Arizona Corporation Commission (hereinafter the
5 “Commission”) to deny Arizona-American’s application based on, among other things, the
6 fact that the Town of Paradise Valley (“Town”) is in support of the application. RUCO
7 repeatedly argues that because the Town, among others, desires that there be adequate water
8 pressure for its residents served by American-Water to improve not only domestic flow but
9 fire flows as well, the costs of the system improvements should be paid for by the Town and
10 not the customers of Arizona-American. It is estimated that the costs for improving the
11 Arizona-American system, including costs associated with improving fire flow, will be
12 approximately 16.6 million dollars.

13 For the reasons stated below, the Town is providing this brief to address the
14 reasons, both legal and practical, that Paradise Valley cannot undertake system improvements
15 related to increased fire flows, thus it is both appropriate and prudent that American-Water
16 should make these improvements.

17
18 **LAW AND ARGUMENT**

19 A. Historical and Procedural Background.
20

21 Historically, the Town of Paradise Valley has prided itself on having limited
22 government. The Town has not provided many public utility-type services such as water,
23 garbage service, and to a great extent, sewer service. Most of these public utility-type services
24 have been provided through a variety of private companies (or other municipalities that have

1 purchased the private companies and inherited their service areas or otherwise offered to
2 extend services into the Town). As for water, over the years since the Town's incorporation
3 in 1961, the number of water companies has actually decreased as some of the private water
4 companies have purchased the service areas of some of the other companies. At the present
5 time, there are only three companies that provide water to property owners in the Town, the
6 Berneil Water Company, the City of Phoenix Water Department (municipal), and Arizona-
7 American.

8 For at least the last eight years, the adequacy of the water systems in the Town has
9 been a source of wide-ranging complaints, from inadequate pressure so as to be able to take a
10 morning shower to cloudy and undrinkable water coming from the kitchen faucet. More
11 recently, the complaints have extended to not only the inadequacy of domestic flows, but also
12 to concerns about the requisite water pressure and supply for adequate fire suppression. The
13 Town had been conducting informal discussions with the private water companies for a
14 number of years, which had led to some water system improvements, most significantly the
15 City of Phoenix's budgeting approximately \$8 million to fund water system improvements in
16 certain areas of the Town that needed these improvements.

17 After some initial discussions about the possible inadequacy of the private water
18 systems in the Town, the Paradise Valley Town Council ("Council") established a Council
19 study committee (the "Water Committee") to look into what the problems were with the water
20 systems in the Town and what improvements could be made to these systems to address these
21 problems. The Water Committee itself has no authority to take legal action, but can
22 recommend to the Council actions that it can take. One of the problems with the water
23 systems in the Town that was identified for study was whether additional infrastructure

1 improvements would need to be built, particularly new water supply lines. The Town
2 Attorney's Office was asked by the Town Manager to look into a number of possible ideas
3 and concepts to see what the Town could do either by way of new Town regulations and codes
4 or by way of assisting in the construction of any necessary water system improvements.

5 Both domestic and fire flow problems were initially identified as potential problems
6 that existed in different areas of the Town. The problems also varied between the various
7 companies that provide water utility service to the Town's property owners. During one of
8 the early Water Committee meetings, one solution suggested by a resident was that the Town
9 should just purchase all of the water companies in the Town and basically abandon its
10 "limited government" tradition. This idea did not gain any traction and was not explored by
11 the Water Committee, but in many respects is tantamount to the same argument that RUCO is
12 making in its briefs, as will be discussed more fully below.

13 Based upon the research that the Town Attorney's Office conducted at the request of
14 the Town Manager, there was little in the way of additional Town codes or regulations that
15 could be imposed on the water utility companies in the Town that would bring about the
16 substantial improvements desired for the three water companies in the Town. One proposal,
17 which it was believed that the Town could legally do, was to require that all new plat
18 submittals be accompanied by a water service impact study addressing the adequacy of water
19 flow and pressure in the immediate area of a proposed subdivision, including accompanying
20 improvements to assure adequate water pressure and flows per Town standards. These
21 improvements could include new water lines and other fire flow related improvements
22 required by the Town's Fire Code for fire hydrants that would serve a new subdivision. The
23 Town has adopted these requirements, which has resulted in developer funded improvements

1 to the private water lines and other system improvements made in relation to the impact of
2 new subdivisions. However, these localized water line improvements near new subdivisions
3 in the Town will not provide the level of improvements that would be desirable for adequate
4 water system improvements, including better fire flows, in the remainder of the Town,
5 especially in areas that had been subdivided many years earlier.

6 One of the questions researched by the Town Attorney's Office was whether the Town
7 could assist in the construction of the new water lines, particularly new trunk lines, for the
8 private water companies, by means of a loan from the Town to the private water company, or
9 through an improvement district, or by budgeting funds each year to just build these lines and
10 then lease them to the private water companies for their use. In addition to serious questions
11 about how this could be accomplished within the Town's tight expenditure limit (as set by the
12 Arizona Constitution and state statutes) and the adequacy of Town revenues to pay for the
13 improvements, two specific legal impediments were identified that would prohibit the Town
14 from providing such assistance (see subsections B and C that follow regarding the "Gift
15 Clause" prohibition and the "Utility Vote" restriction, respectively). Because there is scant
16 Arizona caselaw on the topic of the ability of municipalities to assist in the construction of
17 private water company service systems (other than by drawing factual analogies from the few
18 cases noted in the next two sections), legal opinions on the Town's ability to assist in
19 constructing new water lines for the private water companies were sought from senior city
20 attorneys, legal counsel for the Arizona League of Cities and Towns, and most importantly,
21 from attorneys who serve as bond counsel for cities seeking to use debt instruments as a
22 means of funding municipal projects. Overwhelmingly, the opinions given by these other

1 RUCO's Reply Brief, at page 6, stating that "Incredibly, it is the Town attorney himself,
2 Andrew Miller, who...told the Town's Water Committee that there is no legal impediment to
3 the Town paying for the cost of fire flow infrastructure in the Town's other water utility,
4 Berneil Water Company.") However, RUCO's characterization of this transaction is not
5 accurate. Also, because RUCO focuses so much on this one transaction, it deserves a
6 detailed explanation.

7 The Town's agreement to provide Scottsdale with funds for establishing an automatic
8 interconnection does not equate in any way with the Town being able to spend public funds on
9 improvements to the privately-owned Arizona-American system. First, the Town did not pay
10 for any improvements that would be owned by the private water utility, Berneil, and instead
11 made a payment to another governmental entity, Scottsdale, for an automatic emergency
12 interconnection that would be owned by Scottsdale. In contrast, the water lines that will be
13 constructed pursuant to the current rate increase request will be owned by Arizona-American,
14 thus, as more fully explained below, the Town cannot pay for any part of these lines pursuant
15 to the "Gift Clause" restriction in the Arizona Constitution. Arizona law clearly permits cities
16 to engage in cooperative actions for a number of purposes, including public safety, which was
17 the prime catalyst for the agreement between the Town and the Scottsdale.

18 Second, the automatic interconnection that the Town helped Scottsdale pay for did not
19 supplement the ability of the Berneil Water Company to provide for "domestic flows" to its
20 customers, whereas the new lines to be constructed by Arizona-American will carry both fire
21 flows and domestic flows to service individual customers. Historically, Scottsdale and
22 Berneil already had an interconnection that was manually controlled and could be used by
23 Berneil should it need to access the additional water storage from Scottsdale in the event

1 Berneil needed such storage capacity, regardless of whether it was for domestic or fire flow
2 needs. Berneil did at one time have a water storage tank at the manual interconnection
3 location, but removed the tank when it agreed to sell the tank site to Scottsdale so that
4 Scottsdale Road could expand from two lanes to three lanes. As part of that acquisition, the
5 City of Scottsdale agreed to the manual interconnection. The Town's role was to provide
6 Scottsdale with the funds needed to change from a manual interconnection to an automatic
7 interconnection that could be radio-controlled and activated by a request from the appropriate
8 fire department.

9 The automatic interconnection payment is closely analogous to the Town's payment
10 for part of the costs of new fire hydrants, a similar improvement that the Town has historically
11 paid for and that is also connected to a private water utility system and is used exclusively for
12 fire fighting purposes, albeit at the end of the delivery system rather than the beginning. As
13 both the automatic interconnection and the fire hydrants are publicly owned (when paid for by
14 the municipality), and as both are used solely for public safety purposes, they necessarily do
15 not fall within the legal limitations noted in sections B and C below.

16
17 B. The "Gift Clause" Restriction: The Town Is Prohibited By Article 9 § 7 of the Arizona
18 Constitution From Financing Fire Flow Improvements To Arizona-American's
19 Infrastructure.
20
21

22 Article 9 §7 of the Arizona Constitution, the Gift Clause, provides:

23 "Neither the state, nor any county, city, town, municipality, or other
24 subdivision of the state shall ever give or loan its credit in the aid of, or make
25 any donation or grant, by subsidy or otherwise, to any individual, association,
26 or corporation, or become a subscriber to, or a shareholder in, any company or
27 corporation, or become a joint owner with any person, company, or
28 corporation, except as to such ownership as may accrue to the state by
29 operation or provision of law or as authorized by law solely for investment of
30 the monies in the various funds of the state." (Emphasis added).
31

1 It is axiomatic that a governmental body may expend funds only for a public purpose.
2 Wistuber v. Paradise Valley Unified School District, 141 Ariz. 346, 687 P.2d 354 (1984),
3 (citing Proctor v. Hunt, 43 Ariz. 198, 201, 29 P.2d 1058, 1059 (1934)). What was asked
4 several years ago was whether the Town could assist Arizona-American in a joint process to
5 provide Town funds to increase the size of the Arizona-American water lines both within the
6 Town, and, to a limited extent, outside the Town (some of the increased water lines would
7 start at the well and storage sites just east of the Town and located in the City of Scottsdale).
8 As the suggested mechanisms for a joint process were explored, each ran afoul of the
9 constitutional prohibitions underlined above: (1) Could the Town institute an improvement
10 district to pay for the larger water lines? No, as doing such would be tantamount to the Town
11 “lending its credit” to the water utility and possibly involve the Town becoming a “joint
12 owner” of the water lines (and, problematically, such a district could not likely fund
13 improvements to lines located outside the Town). (2) Could the Town sell bonds to build
14 new water lines and allow Arizona-American to lease them for a reduced rate, eventually
15 turning over ownership in 20 or more years once bonds used to pay for the lines were paid
16 off? No, that would still be “lending the Town’s credit” and the payment of anything less than
17 the full cost of the lines would be a “subsidy” or “donation” to the private corporation. (3)
18 Could the Town simply give Arizona-American the funds to make the water line
19 improvements? No, as the lines would be owned by a private corporation, this would be an
20 inappropriate “donation” and a direct “subsidy” (this is in direct contradistinction to RUCO’s
21 assertion that the Town could make a payment similar to how a private developer might make
22 a Contribution in Aid of Construction to a private water utility, see testimony of Marylee Diaz
23 Cortez, at page 8).

1 The direct language of Article 9 §7 precludes any of these as viable alternatives as
2 none meet the test of being a “public purpose.” One problem never addressed by RUCO in its
3 brief is how public money can be used to pay for water lines that will be owned by a private
4 corporation or, even if the lines were to somehow be publicly-owned, how that private
5 corporation could utilize such lines for the provision of water to its private customers without
6 such becoming an illegal grant, subsidy or joint venture.

7 Additionally, a two-part test has evolved to test the constitutionality of government
8 expenditure pursuant to the Gift Clause. In City of Tempe v. Pilot Properties Inc., 22
9 Ariz.App. 356, 527 P.2d 515, (1974), the court of appeals stated that in addition to the
10 necessity that the public expenditure must be for a public purpose, there must also be
11 “consideration” that is not “so inequitable and unreasonable that it amounts to an abuse of
12 discretion,” such that the expenditure equates to a private subsidy. Id. At 363, (quoting City
13 of Phoenix v. Landrum & Mills Realty Co., 71 Ariz. 382, 388, 227 P.2d 1011, 1014 (1951)).
14 RUCO’s arguments in its Closing Brief submitted in this matter also fail to address the second
15 part of the test set forth above; that the government expenditure of money on a public purpose
16 must be supported by adequate consideration; that is, the public must be fairly rewarded by the
17 expenditure. Considering that the increased water lines would be used to provide “domestic
18 flows” to individual customers for, conservatively, over 99% of the time versus being used for
19 fire flows, it is difficult to justify such a public subsidy without an appropriate apportionment
20 of the consideration to be paid by the Town. As stated, it is RUCO’s position that the Town
21 should pay the entire \$16.6 million (although apparently it may likely be more than that).
22 What RUCO fails to address is the fact that Arizona-American serves less than one-half of the
23 residents of the Town. Certainly, it defies reason to suggest that any meaningful consideration

1 for the 16.6 million tax dollars would ever be provided to the non-Arizona-American
2 customers.

3 RUCO's reliance on Town of Gila Bend v. Walled Lake Door Co., 107 Ariz. 545, 490
4 P.2d 551 (1971) is misplaced. What RUCO has overlooked, but what the Supreme Court did
5 not, in Town of Gila Bend, is the simple yet critical fact that the municipality in that case was
6 to retain ownership and control over the water line that they were to provide. In rejecting the
7 Gift Clause argument propounded by Gila Bend, the court noted "[A]ppellant overlooks the
8 fact that ownership and control over the water line are to remain in the Town." This is critical
9 to the analysis of the Gift Clause and how it relates to the present case. Certainly, there is a
10 much stronger argument to be made in support of finding no Gift Clause violation when the
11 municipality actually gets to retain ownership of the thing for which it has paid tax dollars.
12 By contrast, in the present case, RUCO insists that the Town not purchase nor own the water
13 lines at issue, but instead simply give the \$16.6 million to Arizona-American, who will then
14 perform the improvements. Certainly, the fact that the Town would actually be *giving*
15 something of value to a private entity, contrasted with Gila Bend who was simply *paying* for
16 something they were able to keep, readily distinguishes this case from the Town of Gila Bend
17 case.

18 What RUCO has suggested can be done to avoid the gift clause could only be
19 accomplished by the Town building a completely redundant set of water utility lines that
20 would be dedicated solely to fire flow purposes. This would not only be the most expensive
21 and impractical solution to the problem (in addition to being so expensive that the "public" as
22 a whole would not be well served by such an approach), but it also begs the question, where
23 could the Town obtain sufficient water sources and storage for use in a redundant set of fire

1 flow water lines? The only legally viable solution that would allow the Town to expend funds
2 for the water line improvements would practically require that the Town buy the private water
3 corporations in the Town—a solution that no one wanted to explore when it was raised at the
4 Water Committee level and which would be a colossal waste of money when compared with
5 the more practical answer of having the private water company improve its own lines while
6 having those that benefit most (the company's own customers) pay for it. The proposed
7 means to avoid a "Gift Clause" problem are not prudent and should not be explored, nor could
8 they unless the Town was to first approve a "utility vote" as noted below.

9 C. The "Utility Vote" Requirement: A.R.S. §9-514 Represents A Practical Impossibility
10 to Town Provision of Fire Flow Improvements to Arizona American's Infrastructure.
11

12 RUCO, in their Closing Brief, once again misses the mark in addressing the
13 implications of A.R.S. §9-514 on the present case. The primary impediment presented by this
14 statute is not the absolute prohibition on the Town in providing for the fire flow
15 improvements, but rather the fact that it would first be necessary to conduct a vote of Town
16 residents prior to commencing such an endeavor—and such a vote has not been conducted.
17 As previously discussed, even if the Town could attempt to circumvent the Gift Clause
18 prohibition through ownership of the \$16.6 million in system improvements, such an
19 expenditure would necessarily draw the Town into the rubric of A.R.S. §9-514, as noted
20 below. Absent unabashed altruism, such a vote would almost certainly prove fatal to the
21 proposed expenditure of Town money as it would be highly unlikely that a majority of the
22 Town's residents would vote to permit the Town to acquire even a portion of a utility plant for
23 an area that serves less than half of the Town).

24
25 A.R.S. § 9-514(A), Authority to Engage in Utility Business, provides as follows:
26

1 A. Before construction, purchase, acquisition or lease by a municipal corporation, as
2 authorized in §§ 9-511, 9-511.01, 9-511.02, 9-512 and 9-513, of any plant or property
3 or portion of plant or property devoted to the business of or services rendered by a
4 public utility shall be undertaken, the construction, purchase, acquisition or lease shall
5 be authorized by the affirmative vote of a majority of the qualified electors who are
6 taxpayers of the municipal corporation voting at a general or special municipal
7 election duly called and held for the purpose of voting upon the question. (Emphasis
8 added.)
9

10 Of the aforementioned means of assisting Arizona-American that fail to pass the “Gift
11 Clause” restriction, all also run afoul of the objective language of A.R.S. § 9-514(A) as they
12 would have the Town engage in either the “construction, purchase, acquisition or lease” of
13 some “portion of plant or property” devoted to Arizona-American’s public utility service.
14 First, as noted, the Town itself has never voted to authorize the Town to engage in the water
15 utility business. Second, even if it had such a generic election, the exact facilities to be
16 constructed or purchased by the Town would need to be specified.

17 Arizona case law has affirmed this election requirement in similar contexts. In
18 Graham County Electric Cooperative v. Town of Safford, 95 Ariz. 174 (1963), the Supreme
19 Court of Arizona affirmed Safford’s obligation of holding an election prior to the purchase of
20 an electric facility. The Court so held despite the fact that Safford had previously secured
21 voter approval to purchase then-existing electric facilities, the Court noting that the facility
22 sought to be purchased did not exist at the time of that vote. Additionally, in City of Casa
23 Grande v. Arizona Water Company, 199 Ariz. 547 (App. 2001), Division 1 of the Arizona
24 Court of Appeals affirmed the dismissal of the City of Casa Grande’s condemnation action to
25 obtain a portion of water company assets. The court held that A.R.S. §9-514 required that the
26 City of Casa Grande obtain voter approval prior to the acquisition. In addition to the
27 affirmation of the City’s duty to place the acquisition on the ballot, this case also stands for

1 the proposition that voter approval will nevertheless be required even when the acquisition is
2 only for a portion of the utility. Owning even a portion of the water lines that would be used
3 to supply the customers of Arizona-American would thus draw the Town within the scope of
4 the election requirement.

5 For legal, fiscal, and political reasons, the Town is simply unable to gift Arizona-
6 American \$16.6 million for fire flow improvements. The only other alternative mechanism
7 for Town fiscal involvement in these improvements is for the Town to purchase and acquire
8 the infrastructure necessary for these improvements. This purchase and acquisition cannot
9 happen without a majority vote of Town residents. A.R.S. §9-514 provides a fatal
10 impediment to this course of action at this time. Further, as previously mentioned, because
11 Arizona-American serves less than one-half of the Town's population, simple math dictates
12 the obvious result of such a vote due to the high improbability that Town residents not served
13 by Arizona-American would agree to spending \$16.6 million dollars of public money for fire
14 flow improvements from which they would never benefit.

15

16 CONCLUSION


17 For the reasons stated above, it is the Town's position that the Town is both legally,
18 and practically, prevented from either gifting, or expending for purchase, the 16.6 million
19 dollars necessary for fire flow improvements for Arizona-American customers. It is hoped
20 that this briefing will provide some guidance to the hearing officer and the Commission in
21 its consideration of the rate increase request by Arizona-American.

22

23

1 RESPECTFULLY SUBMITTED this 3rd day of July, 2006.

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Andrew M. Miller
Town Attorney
Town of Paradise Valley

8 AN ORIGINAL AND FIFTEEN COPIES
9 of the foregoing filed this 5th day
10 of July, 2006 with:

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Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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Mailed this 5th day of July, 2006 to:

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Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Teena Wolfe, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Craig A. Marks

1 Corporate Counsel, Western Region
2 American Water
3 19820 N. 7th Street, Suite 201
4 Phoenix, AZ 85024
5
6 Robert J. Metli
7 Snell & Wilmer L.L.P.
8 One Arizona Center
9 400 E. Van Buren
10 Phoenix, AZ 85004-2202
11
12 Daniel Pozefsky
13 RUCO
14 1110 W. Washington, Suite 220
15 Phoenix, AZ 85007
16

**TOWN OF PARADISE VALLEY
WATER COMMITTEE
MINUTES OF MEETING
JULY 5, 2005**

1. CALL TO ORDER

The meeting was called to order at 4:00 p.m. on July 5, 2005. Those present are indicated on the attached attendance list.

2. APPROVAL OF MINUTES OF APRIL 5, 2005 AND MAY 3, 2005; REVIEW OF NOTES OF JUNE 7, 2005

A motion was made by Chair Winkler to approve the minutes of April 5, 2005 and May 3, 2005, seconded by Mary Hamway and unanimously approved.

Jane Cole suggested that the meeting notes of June 7, 2005, specifically item 4, line 4, be amended to read "the contractor will be ~~completed~~ finished in two weeks." With this change, the meeting notes were received and filed.

3. FIRE SAFETY UPDATE

Assistant Chief Fitzgerald gave an update on Fire Department activities in the prior month. He described the brush fire of June 23, 2005, and how it was quickly brought under control by the Rural/Metro Fire Department with a large contingent of mutual aid from the cities of Phoenix and Scottsdale. The Committee noted that the entire operation was well handled, and that this brush fire is indicative of the significant wild fire hazard this summer.

In response to an inquiry by Chair Winkler, Chief Fitzgerald described the inspection and notice process used for weed abatement. Chief Wintersteen gave a summary of the new fire prevention program which has been implemented by Rural/Metro and the Town's Police Department, in which fire department equipment will cruise the Town, note locations of potential fire hazard and work with residents to implement proper fire prevention measures.

4. CITY OF PHOENIX WATER SYSTEM IMPROVEMENTS UPDATE

Mr. Martinsen briefed the Committee on the status of several City of Phoenix water system improvements. He noted that the Invergordon Road water transmission main has been completed and successfully tested, and that the contractor is currently restoring the street surface. It was noted that the contractor is very late in completing the project and may be assessed major liquidated damages by the City of Phoenix.

The status of the arsenic treatment facility improvements at the well site at Morning Glory and Caballo Drives was reviewed. It was noted that work is scheduled for completion by February 2006, and that no resident complaints have been received by the Town on this construction work.

Mr. Martinsen summarized recent discussions with the City of Phoenix regarding the acquisition of a site for a pump station in the Cheney Drive corridor. He stated that the City of Phoenix has not been able to discuss acquisition of the Hughes parcel, and that Phoenix is also considering another currently vacant parcel on Cheney Drive in this vicinity.

In response to an inquiry by Mary Hamway, there was discussion regarding the City of Phoenix five year Water System Improvement Program valued at over \$8 million. Mr. Martinsen described the process used by the City of Phoenix in determining the optimal improvements which may be made for the funding which is available. He stated that Phoenix may in the future consider funding other portions of the original \$25 million estimated cost of water system improvements necessary to bring the entire system to the Town's fire flow requirements. A discussion ensued regarding the feasibility of the Phoenix Water Department increasing rates in Paradise Valley to accelerate and expand the water system improvements. Chair Winkler inquired if the Town should consider cost participation in the Water System Improvement Program, as it does in the utility undergrounding program. Mr. Miller advised that there may be legal problems inherent in the Town contributing funding for water system improvements, particularly with private water companies in which a "gift of public funds" may result.

Chair Winkler also inquired of Karl Kohlhoff the feasibility of building the pump station underground in the street area. Mr. Kohlhoff stated generally that it may be feasible to construct smaller pump stations underground, but that larger pumping systems would pose difficulties and are more feasible above ground.

After further discussion it was generally agreed that a discussion of fund sources for future water system improvements may be scheduled at a future Water Committee meeting.

5. BERNEIL WATER COMPANY UPDATE

Mr. Kohlhoff summarized a discussion he had earlier in the day with Dave Petty of the City of Scottsdale. Mr. Petty advised Mr. Kohlhoff that the automated valve at the Berneil Water Company connection has been installed, and that electric power should be connected by the end of the week. Mr. Kohlhoff stated that he would follow up and report back to the Committee.

Chair Winkler asked that a field demonstration of the automatic valve at the emergency connection be scheduled in the future, and Mr. Kohlhoff agreed to follow through.

Mary Hamway inquired what Berneil Water Company's plans are for arsenic removal. The Committee requested that Mr. Kohlhoff ascertain the Berneil plan and report back to the Committee.

6. ARIZONA-AMERICAN WATER COMPANY UPDATE

Richard Moore gave an update on the McDonald Drive/Tatum Boulevard water main replacement project, noting that work should be completed within about two weeks time. Chair Winkler expressed appreciation to Mr. Moore for the regular attendance and participation of Arizona-American personnel at Water Committee meeting.

Chair Winkler suggested that a tour of the Arizona-American Water Treatment Plant on Miller Road be scheduled sometime in the future.

7. FIRE HYDRANT MAPPING

Assistant Chief Fitzgerald gave an update on the fire hydrant inspection and logging process.

Duncan Miller gave a demonstration how the public may access the Town map depicting fire hydrant locations through the Town web site. Mary Hamway suggested that a future issue of Town Topics mention the availability of the fire hydrant map at the web site.

8. NEXT MEETING SCHEDULE AND AGENDA TOPICS

Chair Winkler stated that the next Water Committee meeting will be held on August 2, 2005 at 4:00 p.m.

A discussion of potential future agenda topics ensued. The Committee discussed water conservation landscape requirements, and whether the Town should mandate the use of desert landscaping and preservation of existing native landscape materials. The Committee expressed interest in forming a citizen's group to study landscape requirements and to make recommendations in this regard to the Water Committee.

The Committee briefly discussed residential redevelopment trends in the Town and Mr. Martinsen noted that this topic is scheduled for discussion at the joint Town Council/Planning Commission work/study session on July 12.

Mary Hamway asked that there be further discussion on funding methods which could be used to build the long term water system improvements Phoenix identified, but for which funding is not currently available.

Mary Hamway and Chair Winkler requested additional information on the Town's water service impact study requirement, and a discussion on this topic ensued. It was generally agreed that this topic will be placed on a future meeting agenda for discussion.

9. ADJOURNMENT

The meeting was adjourned at 5:50 p.m.